



Attorney General
Jennifer M. Granholm

News Release



July 2, 2002

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Granholm, Watkins Warn Schools of Telemarketing Scam

Attorney General Jennifer M. Granholm today announced that she has taken legal action against Paragon Laboratories, a Florida-based company, for using deceptive and illegal business practices in attempts to swindle three Michigan schools and at least one hospital out of thousands of dollars. Granholm joined Michigan Superintendent of Public Instruction Tom Watkins to warn Michigan's schools of the potential scam.

Granholm alleges that Paragon Laboratories violated the Federal Telemarketing Sales Rule, using illegal telemarketing tactics to coerce the schools to pay for expensive products they did not want or order. She and Watkins will send a letter to all of the state's school districts reminding staff to be on the lookout for this and other potentially costly-business supply scams.

According to the Notice of Intended Action sent to the company this week, telemarketers from Paragon - which also does business as Suncoast Chemical Company and Santa Fe Chemical - targeted at least three Michigan schools - Ironwood Area Schools, Brandon School District, Bronson Community Schools - to pitch sales of chemicals, cleaning supplies and other similar items. Even though the schools did not place orders, the company shipped large quantities of expensive supplies, accompanied by billing invoices warning that any legal action for nonpayment would be brought in Broward County, Florida.

Granholm said: "Using the 'pay us or we'll sue' theory of sales to get consumers to purchase products they never ordered in the first place is not only bad business in the extreme, but illegal. Targeting Michigan's education community adds insult to injury - our schools are much too busy doing the critical work of educating our children to spend their time and resources fighting telemarketing scams. We're fighting for them."

When schools disputed the bills, they were given a choice of paying a reduced invoice price on the unordered merchandise or returning the merchandise and paying a substantial "restocking fee." Paragon sued schools that refused either option in Florida where considerations of cost-effectiveness hampered the schools' ability to defend against the lawsuits.

Granholm said: "This scam targeted schools in two ways: it punished schools by forcing them to spend precious dollars on products they didn't want, and punished schools who tried to stand up for their rights by risking their credit rating with a lawsuit. We're warning school and hospital administrators today to be hyper-vigilant in guarding against this type of illegal drain on their pocketbook."

"I'm extremely pleased the Attorney General is taking this action on behalf of Michigan's neighborhood public schools," Watkins said. "Schools shouldn't be in the business of fighting telemarketing schemes. They should be able to focus their collective energies to the education of our children. This NIA sends a clear message to fraud artists that public schools in Michigan are not a target."

The NIA issued by Granholm's office alleges that Paragon's conduct violates both the Michigan Consumer Protection Act and the Federal Telemarketing Sales Rule by misrepresenting or failing to clearly disclose all relevant information regarding cost of the goods, the restrictions and conditions on purchase of these items, and cancellation policy details. It also alleges that the company violated the Michigan Unsolicited Merchandise Act, which states that unsolicited goods are considered an unconditional gift to the recipient, who can refuse delivery of the goods, or choose not to return them to the sender and use or dispose of them as he or she sees fit.

The NIA gives Paragon ten days in which to contact the Attorney General's office to begin settlement negotiations. If no settlement is reached, Paragon Laboratories may face further legal action seeking a court order requiring the company to comply with Michigan and Federal law and to obtain damages and restitution on behalf of Michigan consumers.